



**TORWEST RESOURCES**

**(1962) LTD. (N.P.L.)**

**ANNUAL REPORT . . . for the year ended 1970**

## **Officers**

J. L. GIBSON — Chairman of the Board  
R. W. FALKINS — President  
H. H. WALLER — Vice-President  
J. A. KYLES — Secretary-Treasurer

## **Directors**

R. W. FALKINS  
J. L. GIBSON  
R. E. HALLBAUER  
Dr. N. B. KEEVIL Jr.  
J. A. KYLES  
S. J. O. McCLAY  
S. A. MOWAT  
H. H. WALLER

## **Statutory Information**

### **CAPITALIZATION**

Authorized 10,000,000 shares

### **ISSUED AND FULLY PAID**

7,070,000 shares

### **TRANSFER AGENT**

National Trust Company, Limited  
510 Burrard Street  
Vancouver 1, B.C.

### **BARRISTERS AND SOLICITORS**

Andrews & Swinton  
900 West Hastings Street  
Vancouver 1, B.C.

### **REGISTERED OFFICE**

Andrews & Swinton  
900 West Hastings Street  
Vancouver 1, B.C.

### **ADMINISTRATIVE OFFICE**

700 - 1177 West Hastings Street  
Vancouver 1, B.C.

### **AUDITORS**

McDonald, Currie & Co.  
900 West Hastings Street  
Vancouver 1, B.C.



## REPORT TO SHAREHOLDERS

On behalf of the officers and directors of Torwest Resources (1962) Ltd. (N.P.L.), it is my privilege to present to you the 13th annual report for the year ending December 31, 1970.

The major asset of your company is its large holding in Highmont Mining Corp. Ltd. amounting to 1,064,700 shares.

The main objective of your directors has been concentrated on this major asset in an effort to assist in bringing the property into production as quickly as possible, with the ensuing benefits which will be reflected in the share value of Torwest.

During 1970, over 60,000 feet of additional diamond drilling was completed on Highmont; the results of the previous years of exploration and development programs were correlated and the preparation of detailed plant design and feasibility studies were undertaken.

The results of these programs and studies prove that a production rate of 25,000 tons per

day or 9,000,000 tons per year is a viable and profitable operation.

Financing and concentrate agreement negotiations have been underway for some time by Teck Corporation Ltd. It is anticipated that these agreements will be concluded in the near future.

The Red Mountain molybdenum mine operation has been very disappointing. It has consistently shown a loss each year and in 1970 incurred a loss of \$672,584. Your directors are of the opinion that, under present market and operating conditions, there is little likelihood of any future improvement in the financial results. It has, therefore, been decided to write down the investment of \$280,835 in this venture to a nominal value of \$1. During normal mining operations on the E ore body, a zone of base metal mineralization was encountered which ran 0.1 oz. of gold, 3oz. silver and 12% combined lead and zinc across 8 feet. Since this is a typical Rossland-Red Mountain type of ore, further exploration of this zone is now going ahead.

During the past year, many properties were examined by our field staff and it is our intention to step up the examination of additional properties during the 1971 field season.

The major property holdings of Torwest in the Highland Valley, Babine Lake area and La Ronge area have been maintained in good standing. As part of the 1971 field program, a geochemical and magnetometer survey is now underway on the BEN group, adjoining Noranda's Bell Mine in the Babine Lake area of B.C.

Another field crew is carrying out a similar program on the Aberdeen-Crown group in the Highland Valley area north of Craigmont and adjoining the Bethlehem-Chataway group.

I wish to express my appreciation for the diligence and cooperation of my fellow officers and directors and the efficient field and office staffs.

Respectfully submitted,  
R. W. Falkins  
President

# BALANCE SHEET AS AT DECEMBER 31, 1970

## ASSETS

	1970 \$	1969 \$
CURRENT ASSETS		
Cash and short-term deposits .....		62,204
Accounts receivable		
Highmont Mining Corp. Ltd. (N.P.L.) .....	7,874	24,478
Other .....	6,972	14,008
Deposit .....	425	425
	<u>15,271</u>	<u>101,115</u>
 ADVANCE RECEIVABLE (note 2) .....	 11,340	 11,292
INVESTMENTS (notes 1 and 3) .....	549,122	631,108
MINERAL PROPERTIES AND RELATED COSTS (notes 1 and 4) .....	1,085,705	1,035,639
FIXED ASSETS - at original cost of \$96,055 (\$115,468 - 1969)		
less accumulated depreciation of \$89,751 (\$104,145 - 1969) .....	6,304	11,323
	<u>1,667,742</u>	<u>1,790,477</u>

### SIGNED ON BEHALF OF THE BOARD

J. L. GIBSON                      *Director*

R. W. FALKINS                     *Director*

## LIABILITIES

## CURRENT LIABILITIES

Bank overdraft .....	3,140
Bank loan (note 3) .....	150,000
Accounts payable and accrued liabilities .....	10,134
	<u>163,274</u>

## SHAREHOLDERS' EQUITY

## CAPITAL STOCK

## Authorized —

10,000,000 common shares of no par value with  
a maximum price of \$2 per share

## Issued and fully paid -

5,389,647 shares for cash .....	2,598,314
400,000 shares for mineral properties .....	20,000
1,280,353 shares for mineral properties since sold or abandoned .....	241,660
<u>7,070,000</u>	<u>2,859,974</u>

DEFICIT .....	1,355,506
	<u>1,504,468</u>
	<u>1,667,742</u>

1970  
\$

1969  
\$

8,009  
8,009

AUDITORS' REPORT TO  
THE SHAREHOLDERS

We have examined the balance sheet of Torwest Resources (1962) Ltd. (N.P.L.) as at December 31, 1970 and the statements of deficit, deferred exploration, development and administration costs and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C. McDonald, Currie & Co.  
March 26, 1971 Chartered Accountants

**STATEMENT OF DEFICIT** FOR THE YEAR ENDED DECEMBER 31, 1970

	1970 \$	1969 \$
BALANCE - BEGINNING OF YEAR .....	1,077,506	718,606
Add: Cost of mineral properties abandoned during the year .....	23	118,060
Deferred cost applicable to mineral properties abandoned during the year .....		300,840
Write-down of investment in Red Mountain Mines Limited (N.P.L.) (note 3) .....	280,834	
	<u>1,358,363</u>	<u>1,137,506</u>
Deduct: Recovery of prior year's expenses written-off to deficit .....	2,857	
Profit on sale of investments .....		60,000
BALANCE - END OF YEAR .....	<u>1,355,506</u>	<u>1,077,506</u>



# STATEMENT OF SOURCE AND USE OF WORKING CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1970

	1970 \$	1969 \$
SOURCE		
Capital stock issued .....		100,000
Fixed asset disposals .....	105	207
Investment proceeds .....		187,500
Proceeds from sale of mineral properties .....		6,000
Other .....	4,498	
	<u>4,603</u>	<u>293,707</u>
USE		
Deferred exploration, development and administration costs .....	46,622	57,247
Investments .....	198,848	127,500
Fixed assets .....		1,952
Mineral properties .....		7,991
Advances (note 2) .....		11,292
Other .....	242	
	<u>245,712</u>	<u>205,982</u>
INCREASE (DECREASE) IN WORKING CAPITAL .....	(241,109)	87,725
WORKING CAPITAL - BEGINNING OF YEAR .....	93,106	5,381
WORKING CAPITAL (DEFICIENCY) - END OF YEAR .....	<u>(148,003)</u>	<u>93,106</u>
REPRESENTED BY:		
Current assets .....	15,271	101,115
Current liabilities .....	163,274	8,009
WORKING CAPITAL (DEFICIENCY) - END OF YEAR .....	<u>(148,003)</u>	<u>93,106</u>

## STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATION COSTS

FOR THE YEAR ENDED DECEMBER 31, 1970

	1970 \$	1969 \$
BALANCE - BEGINNING OF YEAR .....	<u>1,003,343</u>	<u>1,228,030</u>
EXPENDITURES DURING THE YEAR		
Exploration and development		
Assaying and sampling .....	768	2,651
Depreciation - equipment and camp .....	1,815	15,733
Drilling .....		994
Field travel and air charter .....		398
Geological and geophysical .....	400	2,162
Insurance .....	830	369
Road building and maintenance .....	900	
Staking and surveying .....	3,350	9,865
Stripping and trenching .....		950
Superintendence, engineering and consulting .....	3,346	14,781
Telephone and telegraph .....		806
Vehicle and equipment operation .....	3,527	6,908
Wages and employee benefits .....	2,988	16,603
	<u>17,924</u>	<u>72,220</u>
Deduct: Equipment rental revenue .....		192
	<u>17,924</u>	<u>72,028</u>
Administration - per schedule .....	33,764	4,125
TOTAL EXPENDITURES DURING THE YEAR .....	<u>51,688</u>	<u>76,153</u>
	<u>1,055,031</u>	<u>1,304,183</u>
LESS: Deferred costs applicable to mineral properties abandoned .....		300,840
Recovery of prior year's deferred costs .....	1,641	
BALANCE - END OF YEAR .....	<u>1,053,390</u>	<u>1,003,343</u>
ALLOCATION OF COSTS TO MINERAL PROPERTIES AS FOLLOWS:		
	1970 \$	1969 \$
Claim Group		
Taylor		
Kendrick		
Marb		
Ben		
Mining Division		
Kamloops .....	602,601	581,644
Skeena .....	25,632	25,632
Nicola .....	404,744	383,234
Omenica .....	20,413	12,833
	<u>1,053,390</u>	<u>1,003,343</u>



# SCHEDULE OF ADMINISTRATION COSTS FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969
	\$	\$
Accounting and audit .....	5,458	3,220
Depreciation - office furniture and fixtures .....	3,105	3,173
Directors' remuneration (note 5) .....	213	14,145
Interest and bank charges .....	3,389	4,956
Legal .....	3,733	6,146
Licences and dues .....	1,399	3,462
Promotion and public relations .....	3,609	3,081
Rent .....	2,201	6,721
Reports to shareholders .....	3,922	3,645
Salaries and employee benefits .....	1,025	17,784
Stationery and office .....	3,102	4,521
Telephone and telegraph .....	1,281	2,090
Transfer agent's fees and expenses .....	3,311	3,063
Travel .....	608	4,217
	<u>36,356</u>	<u>80,224</u>
Deduct: Management fees		
Highmont Mining Corp. Ltd. (N.P.L.) .....		74,218
Other .....	1,441	
Interest income .....	1,151	1,881
	<u>2,592</u>	<u>76,099</u>
TOTAL .....	<u>33,764</u>	<u>4,125</u>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1970

## 1. VALUES

The amounts shown for investments and mineral properties and related costs, represent costs to date and do not necessarily reflect present or future values.

## 2. ADVANCE RECEIVABLE

In prior years the company made advances to Vimy Explorations Ltd. (N.P.L.) which consisted of various exploration and administration costs paid on its behalf. To date Torwest has not been reimbursed for these expenditures and the matter has been referred to the company's solicitor for collection.

## 3. INVESTMENTS

(a) Investments at December 31, 1970 are as follows:

	Cost \$
Highmont Mining Corp. Ltd. (N.P.L.) (Highmont)	
1,000,000 common shares, at cost, being the cost of mineral claims (\$65,583), exploration and development thereof (\$269,078) transferred to Highmont	334,661
64,700 common shares acquired on the open market for cash	198,848
The quoted market value at December 31, 1970 was \$2.25 a share	
<u>1,064,700</u>	<u>533,509</u>
Silver Butte Mines Ltd. (N.P.L.)	
150,000 common shares, at cost, with a quoted market value of 7c at December 31, 1970	12,112
Red Mountain Mines Limited (N.P.L.) (Red Mountain)	
3,000,000 class A shares, at nominal value	1
British Columbia Petroleum and Natural Gas Lease	
Cost of 3/10 of 1% of a gross overriding royalty on leases Nos. 3606 - 3615 inclusive.	
The royalty has no quoted market value	3,500
	<u>549,122</u>

(b) The company has pledged as security for the bank demand loan 1,000,000 common shares of Highmont Mining Corp. Ltd. (N.P.L.) acquired at a cost of \$334,661 and 150,000 common shares of Silver Butte Mines Ltd. (N.P.L.) acquired at a cost of \$12,112,

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1970

## 3. INVESTMENTS (CONTINUED)

(c) Pursuant to an agreement dated October 1, 1969 Teck Corporation Limited was given the right of first refusal to purchase all of the shares of Highmont now held or subsequently acquired by the company. This right was granted for a period not to exceed seven years and is subject to the continuation of an exploration and development agreement between Highmont and Teck.

(d) The company holds 60% of the issued capital of Red Mountain but, at the present time, has the right to elect only two of a total of five directors. For this reason, Red Mountain is not a subsidiary company under the Companies Act of the Province of British Columbia. Dividends to the company from Red Mountain are to be equal to a specified percentage of distributable profits, presently 12 1/2% and increasing to 60 %. Red Mountain incurred an operating loss in 1970 of \$672,584 and no dividends were declared during the year.

During the year, the company wrote down its investment in 3,000,000 class A shares costing \$230,835, to a nominal value of \$1

The company has granted Consolidated Canadian Faraday Limited the right of first refusal on 750,000 class A shares of Red Mountain.

## 4. MINERAL PROPERTIES AND RELATED COSTS

Mineral properties owned or under option, together with related costs are as follows:

	1970 \$	1969 \$
177 claims located in British Columbia, at cost being the value ascribed to 400,000 shares of \$20,000 and cash consideration of \$4,343. Certain claims included in this amount are being acquired under option, the terms of which call for a payment of \$10,000 by way of 5% of net smelter returns. _____	24,343	24,324
Add: Deferred exploration, development and administration costs - per statement _____	1,053,390	1,003,343
	1,077,733	1,027,667
14 Saskatchewan claims at cash consideration to date _____	7,972	7,972
TOTALS _____	<u>1,085,705</u>	<u>1,035,639</u>

## 5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year ended December 31, 1970 the directors and senior officers of the company, as defined by the British Columbia Companies Act were paid aggregate remuneration totalling \$67,415. A major portion of this amount was recovered from Highmont Mining Corp. Ltd. (N.P.L.). No directors' fees were paid, as such, during the year.



# RED MOUNTAIN MINES LIMITED (N.P.L.)

Excerpt From Auditors' Report (Thorne, Gunn, Helliwell & Christenson)

## STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1970

(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
Sale of concentrates .....	\$1,048,504	\$1,347,818
Operating expenses		
Development .....	93,017	83,455
Mining .....	307,845	188,335
Milling .....	438,060	459,007
Marketing .....	1,457	4,051
General and mine office .....	214,893	207,562
Administration .....	31,204	26,275
	<u>1,086,476</u>	<u>968,685</u>
	<u>(37,972)</u>	<u>379,133</u>
Depreciation .....	383,213	686,256
Amortization of preproduction expenditures .....	93,577	112,291
Amortization of deferred development .....	10,926	13,104
Mill test expenses .....	35,612	
	<u>523,328</u>	<u>811,651</u>
	<u>561,300</u>	<u>(432,518)</u>
Royalty expense (note 2) .....		4,899
Provision for interest on income debentures (note 1) .....	111,284	111,284
	<u>111,284</u>	<u>116,183</u>
Loss for the year .....	<u>\$ 672,584</u>	<u>\$ 548,701</u>

## RED MOUNTAIN MINES LIMITED (N.P.L.)

Excerpt From Auditors' Report (Thorne, Gunn, Helliwell &amp; Christenson)

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1970

## 1. 6% INCOME DEBENTURES

Under the terms of an agreement dated December 15, 1964, as amended, between Consolidated Canadian Faraday Limited and Torwest Resources (1962) Ltd., Consolidated Canadian Faraday Limited undertook to advance the company sufficient funds to commercially develop the properties and to provide adequate working capital. Such advances were satisfied by the issue in 1968 of 6% income debentures maturing December 31, 1989. The debentures are secured by a fixed charge on all fixed assets of the company and by a floating charge on all other assets. By agreement dated February 5, 1965, Consolidated Canadian Faraday Limited assigned one-half of its interest in and obligations under the agreement with Torwest to Canadian Nickel Company Limited. Deferred interest on the income debentures is payable only out of future distributable profits (note 2).

## 2. ALLOCATION OF DISTRIBUTABLE PROFITS

Distributable profits are to be allocated as follows:

- (a) Until all the interest and principal amounts on the income debentures have been paid:  
80% in payment of interest and then principal on the debentures  
12½% as a preferential dividend on the Class "A" shares  
7½% as a royalty to a maximum amount of \$750,000
- (b) After retirement of the income debentures and if the maximum amount of the royalty has not been paid:  
12% as a royalty until the said maximum amount has been paid  
48% as an annual dividend on the Class "A" shares  
40% as an annual dividend on the Class "B" shares
- (c) After retirement of the income debentures and payment of the maximum royalty:  
Class "A" and "B" shares to rank pari passu for dividends and distribution of capital.

Depreciation at the rate of 15% of cost per annum is required to be deducted in calculating distributable profits. The provision for any period may be reduced by unanimous approval of the Board of Directors. Since there were no distributable profits for the year ended December 31, 1970, no depreciation has been provided for in the statement of distributable profits, subject to ratification by the Board. Depreciation was calculated at the full rate of 15% per annum for 1969.

## 3. DEPRECIATION AND DEPLETION POLICY

## (a) Depreciation

Depreciation is being provided on a basis that will write off the net book value of the mine and mill assets over the remaining life of the orebody.

## (b) Depletion

It is not common practice in Canada for mining companies to make provision for depletion of mining properties and the company's present policy is to not make any provision in its accounts.

## 4. INCOME TAXES

The company has substantial depreciation, amortization and exploration expenditures available to offset taxable income of future years.







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